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Testimony of the American Council of Life Insurers before the Insurance & Real Estate Committee
Thursday, March 3, 2016

House Bill 5442 – An Act Concerning Long-Term Care Insurance Policy Premium Rate Increases

Senator Crisco, Representative Megna and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in opposition to **House Bill 5442 – An Act Concerning Long-Term Care Insurance Policy Premium Rate Increases**. The proposed legislation would establish an annual cap of seven percent for long-term care rate increases which would further destabilize the long-term care insurance market place in Connecticut.

Connecticut has already addressed the issue of rate increases. In 2014, Connecticut enacted Public Act 14-10, which required companies to spread premium rate increases of 20 percent or more over 3 years. The new law also required companies to: (1) notify policyholders of a premium rate increase and make benefit reduction choices available to them to reduce the premium rate; (2) provide a 30-day window to change benefits; and (3) include a statement that a policyholder will be deemed to have elected to retain the policy if the policyholder fails to take action on the policy. These requirements are in addition to the existing protections provided to consumers under Connecticut law. While strict, the rate provisions of PA 14-10 address the challenge of protecting consumers while also addressing the reality that insurers must receive sufficient premiums to pay claims over time.

We believe the restrictions enacted in 2014 should be given sufficient time to work. The current law balances the protection of consumers with the appropriate regulation of insurers to promote a competitive and financially sound insurance market. Placing further restrictions on the amount and timing of actuarially justified rate increases would undermine that balance.

Restrictions, such as those proposed in HB 5442, have the potential to threaten the solvency of insurance companies. Long term care insurance is “guaranteed renewable” which is an insurance term-of-art that means that, provided a policyholder pays premiums when due, the insurance company cannot cancel, non-renew or unilaterally change the contract; all that the company can do is change rates when actuarially justified. Severely limiting an insurance company's ability to manage their risks has the potential to place an undue burden on the financial well-being of the company.

The private long term care insurance market is providing significant value to its policyholders. For example, in 2014, life insurers paid out \$9.5 billion dollars in long-term care insurance benefits. Not only are those benefits critical to the consumers and their families, it is estimated that that also potentially represents an additional \$2.8 billion that state Medicaid programs will not have to pay out.

There is a strong need for a competitive and financially sound private long term care insurance market in Connecticut. The number of companies offering long-term care insurance has shrunk from 104 in 2002 to only 13 in 2014. Recent projections show that Medicaid expenditures for baby boomers' nursing

home needs could be reduced by 20 percent in the year 2030 if more Americans purchased long-term care insurance. The more long-term care insurance is purchased by consumers, the less likely they are to seek state Medicaid benefits. Further, even if a consumer does eventually need to seek benefits, long term-care insurance would effectively shorten the duration of time the state would have to provide the cost of care, reducing the outlay by the state.

This is a significant public policy issue that requires deep, thoughtful consideration. The good news is that Americans are living longer. The bad news is that our country's aging population raises serious long-term health care and retirement security issues that will only compound over time without appropriate saving and risk sharing.

Today, there are 48 million Americans age 65 or older. By 2050, that number will almost double to 86 million. And between today and 2050, the number of Americans age 85 or older will triple!

Ten thousand Americans are turning 65 every day. Today, there are about 3 workers per retiree. By 2030 – the year the youngest Boomers will be of retirement age – it will be 2 workers per retiree. The Social Security Trust Fund will be forced to cut benefits by 21 percent by 2034 unless something is done to shore up the Fund. And most Americans are not prepared to manage retirement without government subsidies. The average American has enough retirement savings to last only 16 months. Already inadequate retirement savings can be wiped out by an unexpected need for nursing home, assisted living, or at-home care. And it happens more often than anyone expects.

Recent studies tell us that 70 percent of Americans over the age of 65 will need some form of long-term care. Already one in four Americans ages 65-74 and 62 percent of those over 85 suffer some limitation of activities. A semi-private room in a nursing home in Connecticut costs approximately \$146,000 per year. By 2030, the same stay can be expected to exceed \$200,000 per year. Home care is less expensive, but still costly: a visit by a home health aide costs an average of \$4,195 per month. These are costs which most Americans are unable to sufficiently save for during their working years. But long-term care insurance can help cover the costs of long-term care services and protect lifetime savings.

For these reasons, we ask that you not pass HB 5442.

Thank you for your consideration of our position in opposition to House Bill 5442 – An Act Concerning Long-Term Care Insurance Policy Premium Rate Increases. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202) 624-2463 with any questions.

The American Council of Life Insurers (ACLI) is a national trade association with approximately 300 member companies operating in the United States and abroad. 217 member companies serve Connecticut consumers. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums in Connecticut. Learn more at www.acli.com.